

CITY OF ALBIA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Murphy	Mayor	January 1, 2016
Merle Regenold	Council Member	January 1, 2016
Ron Yarkosky	Council Member	January 1, 2016
Brian Bell	Council Member	January 1, 2016
Bryon Stilley	Council Member	January 1, 2018
Tom Adler	Council Member	January 1, 2018
Dennis Conley	Council Member	January 1, 2018
Linda Heller	City Clerk/Treasurer	January 1, 2016
Breckenridge Law P.C.	Attorney	January 1, 2016

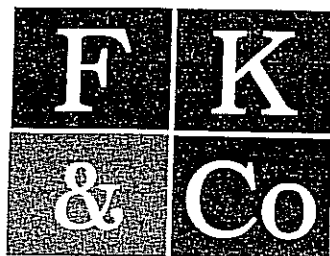
Library Board

Joe Starcevic	Library Trustee	July 1, 2017
Richard Haeussler	Library Trustee	July 1, 2018
Dave Paxton	Library Trustee	July 1, 2018
Sally Bachman	Library Trustee	July 1, 2020
Lois Mick	Library Trustee	July 1, 2020
Matt Foster	Library Trustee	July 1, 2020
Marty Ryan	Library Trustee	July 1, 2020
Sharon Crall	Library Trustee	July 1, 2020
Sue Goode	Library Trustee	July 1, 2020

Cemetery Board

Lonnie Toopes	Cemetery Trustee	July 1, 2016
Robert Pistek	Cemetery Trustee	July 1, 2016
Homer Renwick	Cemetery Trustee	July 1, 2018
Terri Bender	Cemetery Trustee	July 1, 2020
Theresa Christopherson	Cemetery Trustee	July 1, 2020
Nancy Mock	Cemetery Trustee	July 1, 2020
Dewayne Repp	Cemetery Trustee	July 1, 2020

City of Albia



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2015, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 6 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the seven years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 29 through 33 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
December 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Albia (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 9.1%, or approximately \$269,000, from fiscal year 2014 to fiscal year 2015. Operating grants, contributions and restricted interest decreased approximately \$349,000, and capital grants, contributions and restricted interest increased approximately \$70,000.
- Disbursements of the City's governmental activities increased 4.7%, or approximately \$115,000, in fiscal year 2015 from fiscal year 2014. Culture and recreation and public safety disbursements increased approximately \$81,000 and \$54,000, respectively.
- The City's total cash basis net position decreased 0.13%, or approximately \$6,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$162,000, and the cash basis net position of the business type activities decreased approximately \$167,000.
- **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the non-major proprietary funds, and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system, landfill, airport, and the rural fire department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Sewer Fund, considered to be a major fund of the City. The Airport Fund, Landfill Fund and the Rural Fire Department Fund are considered to be non-major funds of the City.

The required financial statements for proprietary funds are a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$4.124 million to approximately \$4.286 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2015
Receipts:		
Program receipts:		
Charges for service	\$ 137	140
Operating grants, contributions and restricted interest	828	479
Capital grants, contributions and restricted interest	17	87
General receipts:		
Property tax	1,570	1,604
Local option sales tax	379	341
Hotel/Motel tax	-	4
Other city taxes	-	16
Unrestricted interest on investments	3	13
Miscellaneous	34	19
Sale of capital assets	4	-
Total receipts	2,972	2,703
Disbursements:		
Public safety	635	689
Public works	512	478
Culture and recreation	396	477
Community and economic development	7	41
General government	285	282
Debt service	511	525
Capital projects	103	72
Total disbursements	2,449	2,564
Change in cash basis net position before transfers	523	139
Transfers, net	16	23
Change in cash basis net position	539	162
Cash basis net position beginning of year	3,585	4,124
Cash basis net position end of year	\$ 4,124	4,286

The City's total receipts for governmental activities decreased 9.1%, or approximately \$269,000. The total cost of all programs and services increased approximately \$115,000, or 4.7%, with no new programs added this year. The decrease in receipts was the result of a decrease in operating grants, contributions and restricted interest. The increase in disbursements is the result of an increase in public safety and culture and recreation disbursements.

The City increased property tax rates for fiscal year 2015. This increase raised the City's property tax receipts approximately \$34,000 from fiscal year 2014 to fiscal year 2015. Property tax receipts are budgeted to remain relatively the same in fiscal year 2016.

The cost of all governmental activities this year was approximately \$2.564 million compared to approximately \$2.449 million last year. However, as shown on the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$1.859 million because some of the cost was paid by those directly benefited from the programs (approximately \$140,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$565,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$983,000 to approximately \$705,000, principally due to decreased operating grants and restricted interest in fiscal year 2015 compared to fiscal year 2014.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2014	2015
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 436	493
Airport	15	14
Landfill	17	17
Rural fire department	48	56
Capital grants, contributions and restricted interest	50	-
General receipts:		
Miscellaneous	10	1
Total receipts	<u>576</u>	<u>581</u>
Disbursements:		
Sewer	721	608
Airport	17	44
Landfill	28	17
Rural fire department	50	56
Total disbursements	<u>816</u>	<u>725</u>
Change in cash basis net position before transfers	(240)	(144)
Transfers, net	<u>(16)</u>	<u>(23)</u>
Change in cash basis net position	(256)	(167)
Cash basis net position beginning of year	<u>435</u>	<u>179</u>
Cash basis net position end of year	<u>\$ 179</u>	<u>12</u>

Total business type activities receipts for the fiscal year were approximately \$.581 million compared to approximately \$.576 million last year. The increase was due primarily due to an increase in charges for services in fiscal year 2015. The cash balance decreased approximately \$167,000 from the prior year. Total disbursements for the fiscal year decreased 11.2% to approximately \$.725 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$4,285,620, an increase of more than \$161,000 above last year's total of \$4,124,091. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$243,119 from the prior year to \$654,608. The City has been watching the General Fund very close in order to stabilize the balance in this fund.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$9,049 from the prior year to \$74,406. This increase was just due to spending less from this fund in fiscal year 2015.
- The Special Revenue, Aquatic Center Fund cash balance decreased by \$4,711 during the fiscal year to a total of \$3,051,261. This decrease is due to spending more monies from this fund in fiscal year 2015 than related monies received.
- The Special Revenue, Employee Benefits Fund cash balance decreased by \$68,161 from the prior year to \$11,303. In the fiscal year, the City just levied less than related costs incurred in this fund.
- The Debt Service Fund cash balance increased by \$6,293 during the fiscal year to a total of \$64,110. In the fiscal year, the City just levied more than the related costs incurred in this fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased by (\$130,899) to (\$114,070), due to capital projects completed during the fiscal year.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget one time. The budget was amended because of equipment purchases and capital projects which were greater than originally anticipated. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$113,881 more than budgeted. This was primarily due to the City receiving more miscellaneous receipts than anticipated, even after the budget amendments.

Even though the City did not go over budget in total, disbursements in the community and economic development, capital projects and business type activities functions were \$11,609, \$27,248 and \$1,741,971 more than the amended budget amounts.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$4,446,000 in bonds and other long-term debt outstanding, compared to approximately \$3,729,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	2014	2015
General obligation bonds and notes	\$ 3,675	3,230
Revenue note	34	-
Lease-purchase agreement	20	16
Installment contract	-	1,200
Total	\$ 3,729	4,446

Debt increased as a result of the installment contract entered into during the fiscal year.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The City's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2013	\$ 131,618,100
Debt Limit	5%
	<u>\$ 6,580,905</u>

The City's outstanding general obligation debt of \$3,230,000 is below the constitutional debt limit of \$6,580,905.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and the rising costs of employee benefits.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2015 budget year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayer, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Heller, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 689,240	39,755	444	4,592	(644,449)	-	(644,449)
Public works	478,168	1,842	405,130	-	(71,196)	-	(71,196)
Culture and recreation	476,950	81,429	69,756	45,000	(280,765)	-	(280,765)
Community and economic development	40,509	-	3,370	-	(37,139)	-	(37,139)
General government	282,286	16,963	-	-	(265,323)	-	(265,323)
Debt service	524,833	-	-	-	(524,833)	-	(524,833)
Capital projects	72,248	-	-	37,200	(35,048)	-	(35,048)
Total governmental activities	2,564,234	139,989	478,700	86,792	(1,858,753)	-	(1,858,753)
Business type activities:							
Sewer	608,213	492,640	-	-	-	(115,573)	(115,573)
Airport	44,175	13,531	-	-	-	(30,644)	(30,644)
Landfill	16,602	16,833	-	-	-	231	231
Rural fire department	55,517	56,206	-	-	-	689	689
Total business type activities	724,507	579,210	-	-	-	(145,297)	(145,297)
Total	\$ 3,288,741	719,199	478,700	86,792	(1,858,753)	(145,297)	(2,004,050)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,089,485	-	1,089,485
Debt service					514,728	-	514,728
Local option sales tax					340,971	-	340,971
Hotel/Motel tax					4,364	-	4,364
Other city taxes					16,036	-	16,036
Unrestricted interest on investments					12,899	-	12,899
Miscellaneous					18,479	1,000	19,479
Sale of capital assets					500	-	500
Transfers					22,820	(22,820)	-
Total general receipts and transfers					2,020,282	(21,820)	1,998,462
Change in cash basis net position					161,529	(167,117)	(5,588)
Cash basis net position beginning of year					4,124,091	178,807	4,302,898
Cash basis net position end of year					\$ 4,285,620	11,690	4,297,310
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 89,640	-	89,640
Expendable:							
Insurance					29,960	-	29,960
Hotel/Motel					4,364	-	4,364
Debt service					64,110	-	64,110
Streets					74,406	-	74,406
Other purposes					3,402,856	-	3,402,856
Unrestricted					620,284	11,690	631,974
Total cash basis net position					\$ 4,285,620	11,690	4,297,310

See notes to financial statements.

City of Albia

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue						Total
	General	Road Use Tax	Aquatic Center	Employee Benefits	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 762,338	-	-	327,147	514,728	-	1,604,213
Other city tax	361,372	-	-	-	-	-	361,372
Licenses and permits	13,358	-	-	-	-	-	13,358
Use of money and property	7,437	-	10,620	-	-	367	18,424
Intergovernmental	47,873	391,607	-	-	-	30,687	470,167
Charges for service	90,128	-	-	-	-	-	90,128
Miscellaneous	107,965	-	305	1,085	72	35,354	144,781
Total receipts	1,390,471	391,607	10,925	328,232	514,800	66,408	2,702,443
Disbursements:							
Operating:							
Public safety	511,779	-	-	175,708	-	1,753	689,240
Public works	25,454	356,023	-	96,691	-	-	478,168
Culture and recreation	369,893	-	42,171	49,252	-	15,634	476,950
Community and economic development	39,676	-	-	-	-	833	40,509
General government	207,544	-	-	74,742	-	-	282,286
Debt service	-	-	-	-	524,833	-	524,833
Capital projects	-	-	-	-	-	72,248	72,248
Total disbursements	1,154,346	356,023	42,171	396,393	524,833	90,468	2,564,234
Excess (deficiency) of receipts over (under) disbursements	236,125	35,584	(31,246)	(68,161)	(10,033)	(24,060)	138,209
Other financing sources (uses):							
Sale of capital assets	500	-	-	-	-	-	500
Transfers in	6,494	-	26,535	-	16,326	-	49,355
Transfers out	-	(26,535)	-	-	-	-	(26,535)
Total other financing sources (uses)	6,994	(26,535)	26,535	-	16,326	-	23,320
Change in cash balances	243,119	9,049	(4,711)	(68,161)	6,293	(24,060)	161,529
Cash balances beginning of year	411,489	65,357	3,055,972	79,464	57,817	453,992	4,124,091
Cash balances end of year	\$ 654,608	74,406	3,051,261	11,303	64,110	429,932	4,285,620
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	89,640	89,640
Restricted for:							
Insurance	29,960	-	-	-	-	-	29,960
Hotel/Motel	4,364	-	-	-	-	-	4,364
Debt service	-	-	-	-	64,110	-	64,110
Streets	-	74,406	-	-	-	-	74,406
Other purposes	-	-	3,051,261	11,303	-	340,292	3,402,856
Assigned	81,601	-	-	-	-	-	81,601
Unassigned	538,683	-	-	-	-	-	538,683
Total cash basis fund balances	\$ 654,608	74,406	3,051,261	11,303	64,110	429,932	4,285,620

See notes to financial statements.

City of Albia

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Use of money and property	\$ -	13,531	13,531
Charges for service	492,640	73,039	565,679
Total operating receipts	492,640	86,570	579,210
Operating disbursements:			
Business type activities	304,279	51,520	355,799
Total operating disbursements	304,279	51,520	355,799
Excess of operating receipts over operating disbursements	188,361	35,050	223,411
Non-operating receipts (disbursements):			
Miscellaneous	1,000	-	1,000
Debt service	-	(35,324)	(35,324)
Capital projects	(303,934)	(29,450)	(333,384)
Net non-operating receipts (disbursements)	(302,934)	(64,774)	(367,708)
Excess (deficiency) of receipts over (under) disbursements	(114,573)	(29,724)	(144,297)
Other financing sources (uses):			
Transfers out	(16,326)	(6,494)	(22,820)
Total other financing sources (uses)	(16,326)	(6,494)	(22,820)
Change in cash balances	(130,899)	(36,218)	(167,117)
Cash balances beginning of year	16,829	161,978	178,807
Cash balances end of year	\$ (114,070)	125,760	11,690
Cash Basis Fund Balances			
Unrestricted	\$ (114,070)	125,760	11,690
Total cash basis fund balances	\$ (114,070)	125,760	11,690

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Albia (City) is a political subdivision of the State of Iowa located in Monroe County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides sewer utilities and airport services for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Albia Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Fire/Rescue Association of Albia, Iowa was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Fire/Rescue Association of Albia, Iowa is to support the activities of the Albia, Iowa fire department.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental funds and nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Aquatic Center Fund is used to account for the local option sales tax collections to be used for the related costs associated with the aquatic center.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development, capital projects and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, and the revenue note are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Total	
	Principal	Interest	Principal	Interest
2016	\$ 390,000	72,973	390,000	72,973
2017	445,000	67,560	445,000	67,560
2018	445,000	57,637	445,000	57,637
2019	460,000	47,007	460,000	47,007
2020	480,000	35,272	480,000	35,272
2021	300,000	22,197	300,000	22,197
2022	305,000	15,470	305,000	15,470
2023	200,000	8,100	200,000	8,100
2024	205,000	4,100	205,000	4,100
	<u>\$3,230,000</u>	<u>330,316</u>	<u>3,230,000</u>	<u>330,316</u>

Revenue Note

The City had pledged future township fire receipts, net of specified operating disbursements, to repay \$102,900 in a fire department revenue note issued in October, 2006. Proceeds from the note provided financing for the purchase of a new fire truck. The note was payable solely from township fire net receipts. During the year ended June 30, 2015, a payment of \$35,324 was made to the USDA, leaving a principal balance due at June 30, 2015 of \$0.

(4) **Lease Purchase Agreement**

On June 24, 2014, the City entered into a lease-purchase agreement to lease a lawn mower. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2015:

Year Ending June 30,	Amount
2016	\$ 4,438
2017	4,438
2018	4,438
2019	4,068
Total minimum lease payments	17,382
Less amount representing interest	(1,304)
Present value of net minimum lease payments	<u>\$ 16,078</u>

Payments under this lease-purchase agreement totaled \$4,438 during the year ended June 30, 2015.

(5) **Installment Contract**

The City has entered into an installment contract with Monroe County for the construction of a new public safety building. The public safety building will be owned by Monroe County. The agreement is non-interest bearing and is payable in annual installments of \$60,000 through January 1, 2034. The total balance due in relation to this installment contract at June 30, 2015 was \$1,200,000.

Annual debt service requirements to maturity for this installment contract are as follows:

Year Ending June 30,	Installment Contract		Total	
	Principal	Interest	Principal	Interest
2016	\$ 120,000	-	120,000	-
2017	60,000	-	60,000	-
2018	60,000	-	60,000	-
2019	60,000	-	60,000	-
2020	60,000	-	60,000	-
2021-2025	300,000	-	300,000	-
2026-2030	300,000	-	300,000	-
2031-2034	240,000	-	240,000	-
	<u>\$1,200,000</u>	<u>-</u>	<u>1,200,000</u>	<u>-</u>

There were no payments in relation to this installment contract during the fiscal year. However, \$60,000 was due to Monroe County on January 1, 2015, which was not paid by June 30, 2015.

(6) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent

The City's contributions to IPERS for the year ended June 30, 2015 were \$68,921.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$201,737. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.005087 percent, which was a decrease of 0.001697 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$24,909, \$14,338 and \$162,792 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 554,697	201,737	(96,020)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(7) **Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses, and an independent contractor. There are 18 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$576.23 for single coverage, \$1,124.04/1,180.13 for employee/spouse coverage, \$1,090.81 for employee/dependent coverage, and \$1,684.42/\$1,768.46 for family coverage. The difference in the premiums for the same group represents differences in the types of coverage provided. For the year ended June 30, 2015, the City contributed \$258,383 and plan members eligible for benefits contributed \$1,194 to the plan.

(8) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2015 primarily relating to the General Fund, was \$35,681. The liability has been computed based on rates of pay in effect at June 30, 2015.

(9) **Interfund Loan**

During the year ended June 30, 2014, the Special Revenue, Aquatic Center Fund loaned \$80,000 to the Capital Project Fund to purchase a vehicle. This loan will be repaid from the Special Revenue, Road Use Tax Fund. The interest rate on this loan is 1% and will be repaid over 4 years. The City repaid \$27,134 in principal and interest on this loan during the year ended June 30, 2015. The balance on this loan at June 30, 2015 was \$53,465.

(10) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise: Rural Fire Department	\$ 6,494
Special Revenue: Aquatic Center	Special Revenue: Road Use Tax	26,535
Debt Service	Enterprise: Sewer	16,326
Total		<u>\$ 49,355</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(11) **Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$3,084 during the year ended June 30, 2015.

(12) **Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$60,374.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Deficit Balance

The Enterprise, Sewer Fund and the Enterprise, Airport Fund had deficit balances of \$114,070 and \$7,421, respectively, at June 30, 2015. These deficits were caused by spending more monies than available in these funds. It is anticipated that these deficits will be eliminated through charge for service fee increases in the Enterprise, Sewer Fund and a receipt of a grant in the Enterprise, Airport Fund.

(14) Contingencies

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2015, the City owed approximately \$31,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency.

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(15) Commitments

The City entered into an agreement with a contractor for \$436,365 for airport improvements. As of June 30, 2015, none of these costs have been paid. These costs will be paid for as work progresses. It is anticipated that this project will be completed in fiscal year 2016. The City intends to pay for these costs from a federal grant and from existing cash reserves.

(16) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2015 consists of the following:

Purpose	Amount
Library	\$ 18,488
Cemetery	43,309
Park	1,873
Fire Protection	10,188
Community Policing	<u>7,743</u>
Total	<u>\$ 81,601</u>

(17) Subsequent Events

The City has evaluated all subsequent events through December 10, 2015, the date the financial statements were available to be issued.

Through a consent agreement with the Environmental Protection Agency (EPA), the City is obligated to pay the EPA \$18,000 over the next five years. The amount and payment dates are based on an agreement negotiated between the City and the EPA. The City is also required to work with the EPA to submit a corrective action plan.

Other Information

City of Albion

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	(Unaudited)						Final to Total Variance
	Component Unit			Total	Budget Amounts		
	Governmental Funds Actual	Proprietary Funds Actual	Albia Municipal Waterworks Actual		Original	Final	
Receipts:							
Property tax	\$ 1,604,213	-	-	1,604,213	1,563,177	1,563,177	41,036
Other city tax	361,372	-	-	361,372	349,044	349,044	12,328
Licenses and permits	13,358	-	-	13,358	8,550	8,550	4,808
Use of money and property	18,424	13,531	15,062	47,017	13,900	13,900	33,117
Intergovernmental	470,167	-	-	470,167	665,240	665,240	(195,073)
Charges for service	90,128	565,679	1,429,100	2,084,907	1,986,575	2,066,225	18,682
Miscellaneous	144,781	1,000	82,132	227,913	29,000	29,000	198,913
Total receipts	2,702,443	580,210	1,526,294	4,808,947	4,615,486	4,695,136	113,811
Disbursements:							
Public safety	689,240	-	-	689,240	864,046	884,046	194,806
Public works	478,168	-	-	478,168	472,647	522,647	44,479
Culture and recreation	476,950	-	-	476,950	669,354	669,354	192,404
Community and economic development	40,509	-	-	40,509	28,900	28,900	(11,609)
General government	282,286	-	-	282,286	266,687	326,687	44,401
Debt service	524,833	-	-	524,833	524,734	525,734	901
Capital projects	72,248	-	-	72,248	5,000	45,000	(27,248)
Business type activities	-	724,507	1,393,114	2,117,621	2,100,115	375,650	(1,741,971)
Total disbursements	2,564,234	724,507	1,393,114	4,681,855	4,931,483	3,378,018	(1,303,837)
Excess (deficiency) of receipts over (under) disbursements	138,209	(144,297)	133,180	127,092	(315,997)	1,317,118	(1,190,026)
Other financing sources, net	23,320	(22,820)	-	500	-	320,868	(320,368)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	161,529	(167,117)	133,180	127,592	(315,997)	1,637,986	(1,510,394)
Balances beginning of year	4,124,091	178,807	210,494	4,513,392	3,528,121	-	4,513,392
Balances end of year	\$ 4,285,620	11,690	343,674	4,640,984	3,212,124	1,637,986	3,002,998

See accompanying independent auditor's report.

City of Albia

Notes to Other Information - Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$1,553,465. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development, capital projects and business type activities functions.

City of Albia

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.005087%
City's proportionate share of the net pension liability	\$ 202
City's covered employee payroll	\$ 685
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.49%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Albia

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 69	64	61	55	53	47	43	41	37	40
Contributions in relation to the statutorily required contribution	(69)	(64)	(61)	(55)	(53)	(47)	(43)	(41)	(37)	(40)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 737	685	663	*	*	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	9.35%	9.34%	9.20%	*	*	*	*	*	*	*

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Albia

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Albia

Schedule 1

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue					Permanent	
	Cooper Estate Bequest	Historical Preservation Board	Police Department	Library	Capital Projects	Cemetery Perpetual Care	Total
Receipts:							
Use of money and property	\$ 367	-	-	-	-	-	367
Intergovernmental	-	-	-	3,487	27,200	-	30,687
Miscellaneous	-	-	3,004	21,479	9,908	963	35,354
Total receipts	367	-	3,004	24,966	37,108	963	66,408
Disbursements:							
Operating:							
Public safety	-	-	1,753	-	-	-	1,753
Culture and recreation	-	-	-	15,634	-	-	15,634
Community and economic development	833	-	-	-	-	-	833
Capital projects	-	-	-	-	72,248	-	72,248
Total disbursements	833	-	1,753	15,634	72,248	-	90,468
Change in cash balances	(466)	-	1,251	9,332	(35,140)	963	(24,060)
Cash balances beginning of year	134,408	2,455	19,156	172,245	37,051	88,677	453,992
Cash balances end of year	\$ 133,942	2,455	20,407	181,577	1,911	89,640	429,932
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	89,640	89,640
Restricted for other purposes	133,942	2,455	20,407	181,577	1,911	-	340,292
Total cash basis fund balances	\$ 133,942	2,455	20,407	181,577	1,911	89,640	429,932

See accompanying independent auditor's report.

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise			
	Airport	Landfill	Rural Fire Department	Total
Operating receipts:				
Use of money and property	\$ 13,531	-	-	13,531
Charges for service	-	16,833	56,206	73,039
Total operating receipts	13,531	16,833	56,206	86,570
Operating disbursements:				
Business type activities	14,725	16,602	20,193	51,520
Total operating disbursements	14,725	16,602	20,193	51,520
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,194)	231	36,013	35,050
Non-operating receipts (disbursements):				
Debt service	-	-	(35,324)	(35,324)
Capital projects	(29,450)	-	-	(29,450)
Net non-operating receipts (disbursements)	(29,450)	-	(35,324)	(64,774)
Excess (deficiency) of receipts over (under) disbursements	(30,644)	231	689	(29,724)
Other financing sources (uses):				
Transfers out	-	-	(6,494)	(6,494)
Total other financing sources (uses)	-	-	(6,494)	(6,494)
Change in cash balances	(30,644)	231	(5,805)	(36,218)
Cash balances beginning of year	23,223	54,209	84,546	161,978
Cash balances end of year	\$ (7,421)	54,440	78,741	125,760
Cash Basis Fund Balances				
Unrestricted	\$ (7,421)	54,440	78,741	125,760
Total cash basis fund balances	\$ (7,421)	54,440	78,741	125,760

See accompanying independent auditor's report.

City of Albia

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes -									
Corporate Purpose Bonds	May 1, 2008	3.10 to 3.80%	\$ 640,000	150,000	-	50,000	100,000	5,700	-
Street Improvement Bonds	August 1, 2009	3.25 to 3.75%	670,000	670,000	-	-	670,000	23,617	-
Corporate Purpose Bonds	September 1, 2010	1.25 to 3.40%	845,000	695,000	-	55,000	640,000	20,247	-
Corporate Purpose and Refunding Bonds	June 1, 2012	0.35 to 2.00%	2,780,000	2,160,000	-	340,000	1,820,000	28,168	-
Total				\$3,675,000	-	445,000	3,230,000	77,732	-
Revenue Note -									
Fire Department	October 30, 2006	4.125%	\$ 102,900	33,537	-	33,537	-	1,786	-
Lease Purchase Agreement -									
Equipment	June 24, 2014	4.00%	\$ 19,799	19,799	-	3,721	16,078	717	-
Installment Contract -									
Public Safety Building	March 17, 2015	-	\$ 1,200,000	-	1,200,000	-	1,200,000	-	-

See accompanying independent auditor's report.

Bond and Note Maturities

June 30, 2015

General Obligation Bonds and Notes									
Year Ending June 30,	Corporate Purpose Bonds Issued May 1, 2008		Street Improvement Bonds Issued August 1, 2009		Corporate Purpose Bonds Issued September 1, 2010		Corporate Purpose and Refunding Bonds Issued June 1, 2012		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	3.80%	\$ 50,000	-	\$ -	2.50%	\$ 55,000	0.75%	\$ 285,000	390,000
2017	3.80%	50,000	3.25%	125,000	2.50%	90,000	0.95%	180,000	445,000
2018	-	-	3.40%	175,000	3.00%	90,000	1.10%	180,000	445,000
2019	-	-	3.60%	180,000	3.00%	95,000	1.30%	185,000	460,000
2020	-	-	3.75%	190,000	3.10%	100,000	1.50%	190,000	480,000
2021	-	-	-	-	3.25%	105,000	1.70%	195,000	300,000
2022	-	-	-	-	3.40%	105,000	1.90%	200,000	305,000
2023	-	-	-	-	-	-	2.00%	200,000	200,000
2024	-	-	-	-	-	-	2.00%	205,000	205,000
		<u>\$ 100,000</u>		<u>\$ 670,000</u>		<u>\$ 640,000</u>		<u>\$ 1,820,000</u>	<u>3,230,000</u>

See accompanying independent auditor's report.

City of Albia

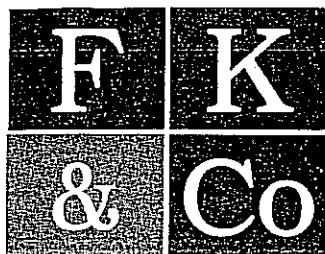
Schedule 5

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Receipts:										
Property tax	\$ 1,604,213	1,552,838	1,499,709	1,452,512	1,404,213	1,213,781	1,259,475	1,194,233	1,171,575	1,083,508
Other city tax	361,372	395,807	313,002	637,070	673,919	717,285	821,020	720,239	802,383	592,594
Licenses and permits	13,358	13,694	11,249	16,218	12,716	18,261	13,035	14,213	10,027	12,467
Use of money and property	18,424	20,126	29,502	44,947	52,454	66,274	80,900	49,674	34,441	18,817
Intergovernmental	470,167	758,106	961,505	844,041	542,179	608,350	692,753	399,788	552,749	815,230
Charges for service	90,128	82,753	98,275	147,558	101,446	108,171	101,782	142,031	152,345	78,802
Miscellaneous	144,781	144,401	142,829	64,899	74,562	77,634	92,487	45,622	147,615	113,930
Total	\$ 2,702,443	2,967,725	3,056,071	3,207,245	2,861,489	2,809,756	3,061,452	2,565,802	2,871,135	2,715,348
Disbursements:										
Operating:										
Public safety	\$ 689,240	634,633	604,991	586,038	622,247	550,295	499,768	539,780	682,761	504,928
Public works	478,168	512,312	411,244	479,953	453,114	463,730	433,586	485,546	421,834	369,213
Culture and recreation	476,950	395,655	390,480	424,215	399,970	368,501	292,741	289,273	302,258	233,024
Community and economic development	40,509	7,312	7,686	10,978	749	13,046	9,185	46,670	2,477	11,714
General government	282,286	285,077	260,906	216,486	189,982	217,841	225,846	253,739	299,152	301,257
Debt service	524,833	510,960	1,463,962	730,569	727,495	669,920	633,696	1,086,975	620,756	1,478,044
Capital projects	72,248	102,918	1,808,641	592,173	636,784	688,093	743,120	197,074	635,254	1,275,365
Total	\$ 2,564,234	2,448,867	4,947,910	3,040,412	3,030,341	2,971,426	2,837,942	2,899,057	2,964,492	4,173,545

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa (City) as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2015. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Albia Municipal Waterworks and the Fire/Rescue Association of Albia, Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A), (C), (D) and (E) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

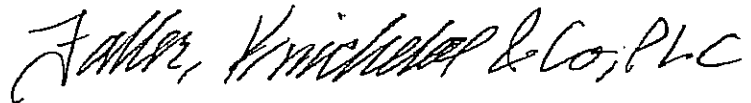
City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

Des Moines, Iowa
December 10, 2015

City of Albia

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although one full-time individual and one part-time individual are involved in the accounting duties of the City of Albia, (City) there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and date of the review.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

(B) Library Procedures – The Library receives monies from memorials, donations, the State of Iowa, and from miscellaneous fees. Library monies are not timely deposited. Currently the monies are normally deposited approximately once per month. In addition, Library monies on hand are taken home at night by the Librarian for safekeeping.

Recommendation – Library monies should be deposited when cash and checks on hand exceed \$100. In addition, Library monies should not be taken home at night by the Librarian.

Response – We will implement the above to the best of our ability.

Conclusion – Response acknowledged.

City of Albia

Schedule of Findings

Year ended June 30, 2015

- (C) Receipts – The aquatic center cash register tapes do not always materially agree to the actual amount of money deposited to the bank. In addition, receipts are only deposited about once per week.

Recommendation – The City should implement procedures to ensure the aquatic center cash register tapes agree to the actual amount of money deposited to the bank. In addition, receipts should be deposited more timely, preferably daily, or when cash and checks on hand exceeds \$100.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (D) Adjustments – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on August 22, 2014. As a result, material adjustments were made to the accounting records in order to properly classify certain receipts, disbursements and transfers to the appropriate accounts.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly classified in the accounting records. In addition, to provide better financial information and control, the COA, or its equivalent, should be followed.

Response – We will work on the proper classification of receipts and disbursements.

Conclusion – Response acknowledged.

- (E) Financial Reporting – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including note disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare OCBOA financial statements.

Response – These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirement.

Conclusion – Response acknowledged.

City of Albia
Schedule of Findings
Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development, capital projects and the business type activities functions. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

The City of Albia’s (City) amended budget was adopted by motion of the Council. Chapter 384.16 of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget...”

The beginning budget balances on the budget amendment did not agree to the ending budget balances as recorded on the original budget.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The amended budget should be adopted by resolution of the Council in accordance with Code of Iowa requirements. In addition, the beginning budget balances on the budget amendment should agree to the ending budget balances as recorded on the original budget.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- (2) Questionable Disbursements – Except as noted in (14) below, we noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Linda Heller, City Clerk, Co-Owner Heller Home & Lawn Maintenance	Mowing	\$ 125
Warren Woolums, Volunteer Fireman	Service Equipment	919
Ray Vitko, Jr. Volunteer Fireman, Part-Owner, Vitko’s	Fuel	807
Robert Pistek, City public works employee, son of Joe Pistek, owner of J&K Tire	Equipment repairs	1,233

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with the Volunteer Firemen do not appear to represent conflicts of interest.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Clerk and the public works employee do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

City of Albia

Schedule of Findings

Year ended June 30, 2015

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- (6) City Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not.

Some claims were not approved by the City Council. A summary of all receipts was not consistently published in the newspaper. Several claims were not published in the newspaper. Some City Council minutes, and related claims, were not published within fifteen days of the City Council meetings. Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts, total expenditures from each city fund, and all claims be published in the newspaper within fifteen days of the City Council meeting. In addition, this same Code Section requires that the City Council approve all claims.

Interfund transfers do not appear to be approved by the City Council.

Recommendation - The City should implement procedures to ensure that all claims paid are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all claims, a summary of all receipts, and all City Council minutes are included in the newspaper publication. In addition, the City should ensure that all this information is timely published in the newspaper as required by the Code of Iowa. In addition, all interfund transfers should be approved by the City Council.

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

- (7) Deposits and Investments - The City's investment policy refers to an outdated section of the Code of Iowa. In addition, the Debt Service Fund did not receive bank interest, as required by Chapter 12C.9 of the Code of Iowa.

Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

Recommendation - The City should implement procedures to ensure that references used in the investment policy refer to the current sections of the Code of Iowa. In addition, the Debt Service Fund should receive bank interest, as required by the Code of Iowa.

Response - The above issues were an oversight on our part. We will implement the above recommendations.

Conclusion - Response acknowledged.

- (8) Revenue Note - No instances of non-compliance with the revenue note resolutions were noted.

- (9) Property/Liability Insurance - The City levies a tax to pay for liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with liability insurance coverage. The costs incurred by the sewer and airport operations for liability insurance coverage have been included in the tax levy for liability insurance coverage.

Recommendation - Costs incurred for liability insurance coverage for the sewer and airport operations should be charged to those funds and not be included in the tax levy.

City of Albia

Schedule of Findings

Year ended June 30, 2015

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (10) Monies Not Collected – Due to the lack of timely follow-up, it appears the City did not request reimbursement of \$2,752 from a Department of Homeland Security grant as reimbursement for costs incurred by the City in 2010 and 2011. As a result, City personnel indicated that the Department of Homeland Security will not pay this \$2,752 to the City.

It appears the City is owed \$750 from individuals for delinquent hangar fees at the airport.

The City of Melrose has not paid its fiscal year 2015 library fee to the City.

Recommendation – The City should implement procedures to ensure all monies due to the City are identified, requested and received on a timely basis.

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

- (11) Local Option Sales Tax – The City and County entered into an agreement whereby the County would remit its local option sales tax collections to the City. The City was then to use these funds for the aquatic center costs. Our review noted that it appears that the County still owes two months of local option sales tax receipts to the City, which we estimate would amount to approximately \$70,000.

Recommendation – The City should consult with legal counsel to resolve this matter.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (12) Payroll – Instances were noted where an employee's timecards were not signed by the employee's supervisor. In addition, instances were noted where there was not always written authorization for the amount of deductions withheld from the employee's paychecks.

Recommendation – The City should implement procedures to ensure all timecards are signed by the employee's supervisor. In addition, written authorizations should be maintained for the amount of deductions withheld from employee's paycheck.

Response – We will attempt to implement these recommendations.

Conclusion – Response acknowledged.

- (13) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

City of Albia

Schedule of Findings

Year ended June 30, 2015

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

- (14) Questionable Disbursements – Disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. During the year ended June 30, 2015, the City paid \$488 in utility bills on behalf of the Albia Pre-School and Day Center, (Center) Inc. In addition, the Center is occupying and using a City owned building at no cost to the Center.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The City should determine and document the public purpose served by these disbursements before authorizing any further payments. The City should also document the public purpose served by the use of a City owned building at no cost to the Center. If these practices are continued, the City should establish written policies and procedures, including requirements for proper documentation.

Response – We will include documentation and establish policies to address these types of disbursements if this practice is continued.

Conclusion – Response acknowledged.

- (15) Financial Condition – The Enterprise, Sewer Fund and the Enterprise, Airport Fund had deficit balances of \$114,070 and \$7,421 at June 30, 2015, respectively.

Recommendation – The City implement procedures to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- (16) Disbursements – Weight tickets which document tons of asphalt paid by the City were not obtained and agreed to the summary billing from the contractor.

Instances were noted where the City paid State of Iowa sales taxes on purchases. The City is exempt from paying sales tax on purchases to the State of Iowa.

Recommendation – Weight tickets should be obtained and retained for all asphalt purchases, and should be agreed to the summary billings from the contractor. In addition, State of Iowa sales taxes should not be paid on purchases.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.